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THE ROLE OF FIRM CHARACTERISTICS AND AUDIT COMMITTEE SIZE IN TIMELINESS OF FINANCIAL REPORTING

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ABSTRACT

This study examines the relationship of firm characteristics and audit committee size with Timeliness of Financial Reporting (TIML) among retailer trade companies listed in Indonesian Stock Exchange. This study focuses on three variables of firm characteristics (i.e., firm size, profitability, and leverage) and one variable of corporate governance (i.e., audit committee size). A quantitative method of analysis, secondary data from annual reports for the period of 2012 to 2016, and purposive sampling, was adopted. The results revealed that both profitability and leverage are negatively associated with TIML, yet no significant association was found regarding the firm size and audit committee size with TIML. On the other hand, the results also revealed that firm size, profitability, leverage, and audit committee size could enhance TIML since those variables are found to be simultaneously associated with TIML.

Keywords: Timeliness, Financial Reporting, Reporting Lag

1. INTRODUCTION

1.1 Background

In organization world, financial reports are the most crucial thing. It is because they are like the final products produced by the management that is information needed for the outsider of the company. The information will be regarding the firms which need to be concerned when making decisions.

The financial reports become even more important especially for listed company because it brings benefits for the company; they can get additional capital from outsider. For all that, the financial reports can just be used by the users when the firms already issue their reports. Here, the timeliness of financial reporting done by each firm is very important.

In order to hit timely financial reporting, there are some indicators that become trigger for the firms to release the reports on time (i.e., firm characteristics). According to Alsaeed (2006: 479), firm characteristics are divided into three clusters:

(1) structure-related variables such as firm size, debt, ownership dispersion, and firm age; (2) performance-related variables such as profit margin, return on equity, and liquidity; and (3) market-related variables such as industry type, and audit firm size.

The firm characteristics that can be relied on this research are from structure and performance-related variables. Furthermore, this research is emphasizing on Efobi & Okougbo's finding (2014), they argued that firm characteristics is not the only indicator to influence the timeliness of financial reporting; on the grounds that Good Corporate Governance (GCG) does take part in it. Therefore, the researcher also thinks that it is necessary to make an analysis about it.

To conclude, this research will analyze deeper and provide evidence with the geographical scope in Indonesia of whether timeliness is associated with firm specific characteristics (i.e., firm size, profitability, and leverage), especially with one of GCG mechanisms, i.e. audit committee size since the corporate governance mechanism that Efobi & Okougbo (2014) used (i.e., audit firm size) could not support the evidence for their argument on the GCG controlling the timeliness of financial reporting.

1.2 Research Problems

1. Does firm structure that is proxy by firm size influence the timeliness of financial reporting?
2. Do firm performances that are proxies by profitability and leverage influence the timeliness of financial reporting?
3. Does audit committee size influence the timeliness of financial reporting?
4. Do firm size, profitability, leverage, and audit committee size simultaneously influence the timeliness of financial reporting?

1.3 Purposes

1. To find out whether firm structure that is proxy by firm size influences the timeliness of financial reporting or not.
2. To find out whether firm performances that are proxies by profitability and leverage influence the timeliness of financial reporting or not.

3. To find out whether audit committee size influences the timeliness of financial reporting or not.
4. To find out whether firm size, profitability, leverage, and audit committee size simultaneously influence the timeliness of financial reporting or not.

1.4 Research Contributions

1.4.1 Theoretical Contributions

This research is intended to provide additional contribution toward pervious researchers in supporting more about the theory of the research on timeliness of financial reporting which often done by using firm structure and performance-related variables as the benchmark. Thus, this could make the theory would get even stronger than before.

1.4.2 Practical Contributions

This research is intended to give better insight for the readers as a result of how the firm structure and performances take part in timeliness of financial reporting of a company. Moreover, it is also intended for the new entrance of being an investors or creditors to be more alert when the company that they took part in or involved in is kind of late in delivering their financial reports.

2. LITERATURE REVIEW

2.1 Theoretical Framework

Agency Theory

Agency theory is a theory used to describe the contractual relationship between the one who gives the mandate (principal) and the one who carries out the mandate (agent) in order to perform some services in their name including making some particular decisions (Rankin *et al.*, 2012). However, information asymmetry will arise here. Information asymmetry is known as a condition where one party (agent) to a transaction dominate more information about current and future prospects of the company rather than the others and turns out to detriment of other parties (principal) as a result (Rankin *et al.*, 2012). Therefore, to minimize this problem can be addressed by releasing the information of financial reports on time (Kim & Verrecchia, 1994).

Signaling Theory

Signaling theory is defined as a hint or clue given by the company intentionally on how management looks at the company's prospect (Brigham & Huston in Prena, 2014). According to Jama'an (2008), signaling theory is intended to reveal on how a company should give signal to users of financial reports by providing good quality of information about what has been done by the agent to exteriorize the principal's desire and this also could help in reducing asymmetric information. Moreover, Hartono in Saputri (2015) stated that this theory helps to differentiate which company has high and low quality. According to Ross in Saputri (2015), a company that could give signal to investors is only the ones who have high prospects. It is because in order to give signal on financial policy, it requires substantial costs in which could not be imitated by low quality companies.

Firm Size

Firm size is defined as a comparison of the size on firms that measured either by assets, sales, or market capitalization as the indicator. It is because the greater the assets of a company determines the greater the capital invested; the greater the amount of sales,

the faster the velocity of money; the greater the market capitalization, the more well known the company in society (Hilmi & Ali, 2008). Here, the big company is believed to have more stable of good prospects and profit in a relatively period of time. This happens because in this stage, the big company is indicated to have positive cash flows (Sukarman, 2015).

Profitability

Profitability is the business's potential in making profit. According to Sugiyarso & Winarni in Devi (2013), profitability shows the relationship among sales, assets and equity do yield the ability of a company to make a profit. Weston & Brigham (1990) stated that profitability is net results coming from a set of policies and decisions defined by using relevant benchmarks and one of them is financial ratios. In this case, by using one of financial ratios, videlicet profitability ratio, is expected to help them in analyzing the company's financial condition, operating results, and level of profitability.

Leverage

Leverage is literally defined as a power or drivers to maximize the benefit. This can be seen in business world whereby "financial leverage is the use of debt to increase earnings" (Subramanyam & Wild, 2009: 548). They use leverage to maximize its profit by borrowing capital from the outsiders; called as trading on the equity. Profit and fixed costs are described in financial leverage (Walsh, 2003). In short, leverage is the amount of debt incurred to finance the company's assets in the interest of expecting high return where the company sacrifices itself by paying the debts along with fixed costs. However, having a bunch of debts is not always good especially when the debts already exceed equity. So, somehow the higher level of leverage indicates the more dangerous the company's condition is (Subramanyam & Wild, 2009).

Audit Committee Size

Audit Committee is a committee formed to ensure the principles of Good Corporate Governance (GCG) especially transparency and disclosure are consistently and adequately applied within an organization under accountability to the board of commissioners (Tjager *et al.* in Kustanti, 2015). So, audit committee has the responsibility to the board of commissioners by giving opinion on the financial reports and performs tasks related to the board of commissioners' duty. However, the audit committee's duty is not only assigned with monitoring the process of financial reporting, but also to ensure the effectiveness of internal controls, internal audit, and compliance risks along with enhancing the quality of financial reporting of a company (Mitra&Hossain; Ojo in Emeh & Ebimobowei, 2013).

Without realizing it, the existence of an audit committee becomes more important. By having them, the accuracy of financial reports is not that questionable but more assured. It is because the composition of audit committee is made up of several members and based on *SuratKeputusanKetua BAPEPAM Nomor: KEP-41/PM/2003*, the composition of audit committee is at least consists of one independent of commissioners and other two members that come from outside the company. However, for better results, the best composition of audit committee should consist of three to six members (Ali in Mulyani & Fettry, 2016).

Timeliness of Financial Reporting

Report is a document that contains a lot of useful information presented intentionally to certain people and purposes. Yet, a report would be avowed as useful if

the reporting is released on time. It is because report does reflect the current condition. In other words, when the report is unavailable at the time the users need it, the benefits of such information will be lost (Adebayo & Adebisi, 2016). It will affect the effectiveness of investment decisions (Jeter & Chaney in AL-Tahat, 2015). The shorter period of time needed by an organization to publish their financial reports as measured starting from the year ended to publication date is believed being more beneficial for the users (Abdulla in Adebayo & Adebisi, 2016). Moreover, Abdullah (2006) stated that the shorter number taken, the greater level of the transparency.

In addition to be useful, financial reports presented by an organization must be relevant in which they should meet some specified characteristics and one of them is timeliness (AL-Tahat, 2015). This does not mean that timeliness ensures its relevance, yet timeliness is implied that the information should be delivered as soon as possible in order to be used for decision making.

2.2 Conceptual Framework and Hypothesis Development

2.2.1 Conceptual Framework

Based on theoretical framework and empirical studies, the researcher indicates that timeliness of financial reporting is affected by firm size, profitability, leverage, and audit committee size. Thus, the framework of this research can be seen in the following figure.

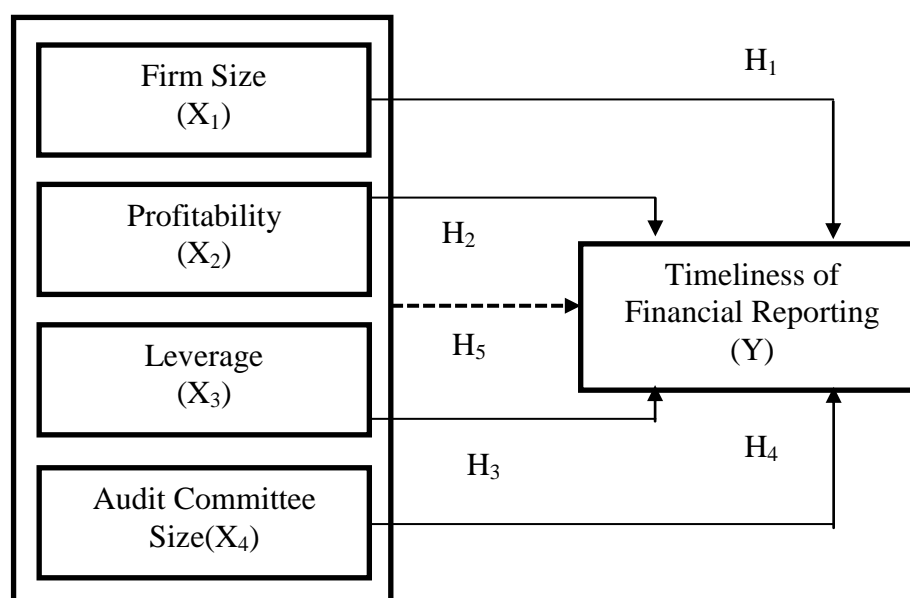


Figure 2.1.

Conceptual Framework

Source: Processed Data, 2017

2.2.2 Hypothesis Development

In order to have better performance, a company should have lots of employee, strong internal control, good management, and sophisticated system. However, not all company could afford all that stuffs; only larger company is expected to (Adebayo & Adebisi, 2016). It is because the costs will be so high. Even so, it is worth since it could enhance their corporate governance in term of timeliness of financial reporting. In other words, it makes the larger company will not take much time in financial reporting. Besides that, being less timely in publishing their reports will give great pressure for the

larger company because this will lead to unwanted speculative trading of their shares happen (Owusu-Ansah, 2000). Therefore, the following hypothesis is formulated as follows:

H₁: Firm size is positively associated with timeliness of financial reporting.

Based on signaling theory, a company will publish its financial reports faster when they have high profitability in order to attract the investors and creditors. The company wants to bring this good news early in which profitability indicates the efficiency of a company (Owusu-Ansah, 2000). That news could also bring effect on its stock price (Adebayo & Adebisi, 2016). In addition, it will enhance the investors' and creditors' trust as well. The majority of previous studies have shown significant relationship between profitability and timeliness of financial reporting such as done by AL-Tahat (2015) and Kamalluarifin (2016). This indicates that higher profitability of a company tends to be on time in publishing its financial reports. Hence, the following hypothesis is formulated as follows:

H₂: Profitability is positively associated with timeliness of financial reporting.

Instead of showing their inability to pay off its debts, higher leverage of a company will show high confidence by publishing their reports more timely to ensure the creditors that they have the ability to pay (Ismail; Larran&Giner; Oyelere *et al.*; Xiao *et al.* in Kamalluarifin, 2016). Efobi & Okougbo (2014) stated that higher level of leverage will bring good effect on their corporate governance. It is because it will enhance the timeliness of financial reporting of a company in which they will not take so much time in preparing the reports. Thus, the following hypothesis is formulated as follows:

H₃: Leverage is positively associated with timeliness of financial reporting.

With the effectiveness of audit committee, it helps the company in strengthening their quality of financial report by monitoring the financial reporting process. It makes the company timelier in submitting their financial reports (Ika & Ghazali, 2012). It also reduces information asymmetry (Jensen&Meckling; Oyelere *et al.*; Marston &Polei in Efobi & Okougbo, 2014). Additionally, based on Abdullah (2006), the number of audit committee members does play important role; the more members of audit committee, the more timely the company will deliver its financial reports. It does happen because with more members, they have tighter supervision toward the company. Therefore, the following hypothesis is formulated as follows:

H₄: Audit committee size is positively associated with timeliness of financial reporting.

Based on empirical studies, it shows that firm characteristics and audit committee size are found to be significantly associated to timeliness of financial reporting. Efobi & Okougbo (2014) found that profitability, leverage, and firm size have significant influence with timeliness of financial reporting. Additionally, Puasa *et al.* (2014) also found that timeliness of financial reporting is affected by audit committee size. Thus, the following hypothesis is formulated as follows:

H₅: Firm size, profitability, leverage, and audit committee are simultaneously associated with timeliness of financial reporting.

3. METHODOLOGY

3.1 Research Forms

Based on the results to be achieved, this research is a basic research in which to gain greater insight of a human being without creating something (Siregar, 2014). This research uses associative research as the form of the research to find out the relationship exists between one variable to another (Siregar, 2014). The dependent variable used is

timeliness of financial reporting while the independent ones are firm size, profitability, leverage, and audit committee size. Additionally, this research emphasizes on quantitative method of analysis. This means that it is done through mathematically method to analyze the phenomena (Sukamolson, 2007).

This research uses literature study in which by collecting data from journal article. This study is supported by Sunyoto (2016) which is done by collecting data through literature review related to underlying problem from books, journal article, and magazine. Moreover, this research is based on time dimension and time sequence which is cross-sectional and time series. According to Sangadji & Sopiah (2010), cross-sectional is to describe the situation by collecting data at one particular time on multiple objects while time series is to describe the progress of the object by collecting data from time to time on a single object.

3.2 Sources of Data

This research is conducted on retail trade companies with the period of the data analysis from 2012 till 2016. The data is collected on the website of Indonesian Stock Exchange (IDX) which is www.idx.co.id. The type of this research is quantitative method using secondary data. Secondary data is the data that have been available from other sources commonly obtained from previous research reports and then gathered by the researcher (Misbahuddin & Hasan, 2013). The data is collected from one database on IDX in the form of audited financial statements gathered at the website of IDX.

3.3 Population and Sample

The population of this research is retail trade companies on the grounds that retail trade has stable growth even in the period of global economic crisis and the turnover of goods and money happens more quickly than other industries. It happens because the retail trade industry is in direct contact with basic needs of a human being. The total population of retail trade companies listed in IDX is twenty two.

The total sample of this research is fifteen companies that have been selected through purposive sampling technique. Purposive sampling means that the sample is selected in accordance with the limitations or considerations that aim to give contribution in answering research questions (Krippendorff, 2004). As for the considerations of this research, the period of data is from 2012 till 2016 on the grounds that it reflects the current condition and to be more precise, the considerations can be seen as follows:

1. The retail trade companies that listed in IDX from 2012 till 2016.
2. The company that has released the financial reports for the year ended, 31 December in 2012-2016.
3. The company that has been conducting an Initial Public Offering (IPO), at the latest, by 2012.
4. The company that does not move to another sector and delisting from 2012 till 2016.

3.4 Research Variables

In this research, it consists of one dependent variable and four independent variables.

- a. Dependent variable: Timeliness of financial reporting.
- b. Independent variable:

1. Firm Size (X_1)

According to Efobi & Okougbo (2014), firm size is calculated according to this formula:

$$\text{Firm Size} = \text{Log}(\text{Total Assets})$$

2. Profitability (X_2)

According to Harmono (2016), profitability is calculated according to this formula:

$$\text{Return on Assets} = \frac{\text{Earnings After Tax}}{\text{Assets}}$$

3. Leverage (X_3)

According to Harmono (2016), leverage is calculated according to this formula:

$$\text{Debt to Assets Ratio} = \frac{\text{Total Debts}}{\text{Total Assets}}$$

4. Audit Committee Size (X_4)

According Emeh & Ebimobowei (2013), audit committee is calculated according to this formula:

$$\text{Audit Committee Size} = \sum \text{Total Number of Audit Committee}$$

3.5 Multiple Regression Analysis

Referring to the objectives of this research which are to find out the direction, influence, and strength of the relationship among four independent variables against one dependent variable, then multiple regression models is used. It is because this model is intended to determine the effect of two or more independent variables (denoted by X_1 , X_2 , X_3 ...) on one dependent variable (denoted by Y) (Suliyanto, 2011). Hence, the multiple regression analysis in this research is shown by the following equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

Note:

Y = Timeliness of financial reporting

a = Constants

$b_{1,2,3}$ = Regression coefficient

X_1 = Firm size

X_2 = Profitability

X_3 = Leverage

X_4 = Audit committee size

e = Error

4. RESULTS AND DISCUSSION

4.1 Research Results

Descriptive Statistics

Descriptive statistics is to depict the object being examined through the sample or population without analyzing and drawing general conclusion. Its depiction can be seen

from mean, minimum, maximum, and standard deviations. Thus, the result of descriptive statistics of this research is presented in the following table using software SPSS v. 17.

Table 4.1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Size	75	11.0308	13.2895	12.471368	.4517650
ROA	75	-.0710	.4624	.074756	.1026244
DAR	75	.1207	1.6593	.544206	.2657612
ACSize	75	3	4	3.03	.162
TIML	75	38	90	70.55	14.151
Valid N (listwise)	75				

Source: SPSS Output 17

Table 4.1 shows the total sample of this research (Valid N) is seventy five. The timeliness of financial reporting (TIML) will be analyzed through four independent variables which are firm size (Size), profitability (ROA), leverage (DAR), and audit committee size (ACSize).

The minimum and maximum values of firm size are 11.0308 and 13.2895, respectively, with 12.471368 as the mean and 0.4517650 as the standard deviations. The profitability variable measured by return on assets ratio shows a minimum and maximum of -0.0710 and 0.4624, respectively, with 0.074756 as the mean and 0.1026244 as the standard deviations.

The leverage variable measured by debts to assets ratio shows a minimum and maximum of 0.1207 and 1.6593, respectively, with 0.544206 as the mean and 0.2657612 as the standard deviations. The minimum and maximum values of audit committee size are 3 and 4, respectively, with the mean of 3.03 and standard deviations of 0.162. Lastly, the timeliness of financial reporting variable measured by the number of days between the financial reporting date and the date of audit reports shows a minimum and maximum of 38 and 90, respectively, with a mean of 70.55 and standard deviations of 14.151.

Multiple Regression Analysis

Multiple regression analysis is done to prove that the timeliness of financial reporting is influenced by firm size, profitability (ROA), leverage (DAR), and audit committee size. In order to obtain an overview of research data, the result of multiple regression analysis used in this research is presented in the following table.

Table 4.2
Multiple Regression Analysis
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	55.767	57.019		.978	.331
Size	-1.693	3.360	-.054	-.504	.616
ROA	-40.188	15.970	-.291	-2.517	.014
DAR	-22.074	6.951	-.415	-3.175	.002
ACSize	16.821	12.030	.193	1.398	.166

t Variable: TIML

Source: SPSS Output 17

Table 4.2 shows the regression model of this research regarding the influence of firm size, profitability (ROA), leverage (DAR), and audit committee size on timeliness of financial reporting as follows.

$$Y = 55.767 - 1.693X_1 - 40.188X_2 - 22.074X_3 + 16.821X_4$$

Based on data above, it shows 55.767 as the constant; this means that if the values of X_1 (Size), X_2 (ROA), X_3 (DAR), and X_4 (ACSize) are zero, Y (TIML) will have value of 55.767.

The coefficient value of Size (firm size) is -1.693 showing that an increase of 1 on Size (firm size) should decrease TIML (timeliness of financial reporting) of 1.693 (with assumption that the values of other independent variables remain constant). Additionally, the meaning behind negative sign on coefficient value is negative relationship exists between firm size and timeliness of financial reporting. In other words, an increasing value of Size (firm size) will decrease the value of TIML (timeliness of financial reporting).

The coefficient value of ROA (profitability) is -40.188 showing that an increase of 1 on ROA (profitability) should decrease TIML (timeliness of financial reporting) of 40.188 (with assumption that the values of other independent variables remain constant). Additionally, the meaning behind negative sign on coefficient value is negative relationship exists between profitability and timeliness of financial reporting. In other words, an increasing value of ROA (profitability) will decrease the value of TIML (timeliness of financial reporting).

The coefficient value of DAR (leverage) is -22.074 showing that an increase of 1 on DAR (leverage) should decrease TIML (timeliness of financial reporting) of 22.074 (with assumption that the values of other independent variables remain constant). Additionally, the meaning behind negative sign on coefficient value is negative relationship exists between leverage and timeliness of financial reporting. In other words, an increasing value of DAR (leverage) will decrease the value of TIML (timeliness of financial reporting).

The coefficient value of ACSIZE (audit committee size) is 16.821 showing that an increase of 1 on ACSIZE (audit committee size) should increase TIML (timeliness of financial reporting) of 16.821 (with assumption that the values of other independent variables remain constant). Additionally, the meaning behind positive sign on coefficient value is positive relationship exists between audit committee size and timeliness of financial reporting. In other words, an increasing value of ACSIZE (audit committee size) will increase the value of TIML (timeliness of financial reporting).

Coefficient of Determination (R^2)

Coefficient of determination is used to see or explain how the portion of independent variable influences the dependent variable. It ranges from 0 to 1. When the value of coefficient of determination is close to 1, it indicates the ability of independent variable to explain the variation of dependent variable is great. In order to obtain an overview of this research, the result of coefficient of determination could be seen in the following table.

Table 4.3
Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.476 ^a	.227	.183	12.793

a. Predictors: (Constant), ACSIZE, Size, ROA, DAR)

b. Dependent Variable: TIML

Source: SPSS Output 17

Table 4.3 shows the value of R^2 is 0.227 indicating that TIML (timeliness of financial reporting) could be explained by Size (firm size), ROA (profitability), DAR (leverage), and ACSIZE (audit committee size) of 22.7%. On the other hand, the rest (77.3%) is affected by other independent variables that are not included in this research.

F-Tests

F-Tests are to determine whether the models used in the research is fit or not by examining all independent variables on dependent variable simultaneously. To ensure that, it could be done in two ways. The first one is by using significance level; must be less than 0.05 while the second one by comparing f_{value} to f_{table} ; f_{value} must be more than f_{table} . In order to obtain an overview of this research, the result of F-Tests could be seen in the following table.

Table 4.4
ANOVA^b

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3362.724	4	840.681	5.137	.001 ^a
Residual	11455.862	70	163.655		
Total	14818.587	74			

s: (Constant), ACSize, Size, ROA, DAR
nt Variable: TIML

Source: SPSS Output 17

Table 4.4 shows a significance level of 0.001 indicating that firm size, profitability, leverage, and audit committee size simultaneously influence timeliness of financial reporting, on the grounds that the significance level is less than 0.05 (sig. 0.001 < 0.05). Therefore, this indicates that H_5 of this research is accepted.

T-Tests

T-Tests are to examine whether each independent variable individually has a significant effect on dependent variable or not. To ensure that, it could be done in two ways. The first one is by using significance level; must be less than 0.05 while the second one by comparing t_{value} to t_{table} ; t_{value} must be more than t_{table} . In order to obtain an overview of this research, the result of T-Tests could be seen in the following table.

Table 4.5

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	55.767	57.019		.978	.331
Size	-1.693	3.360	-.054	-.504	.616
ROA	-40.188	15.970	-.291	-2.517	.014
DAR	-22.074	6.951	-.415	-3.175	.002
ACSize	16.821	12.030	.193	1.398	.166

a) Dependent Variable: TIML

Source: SPSS Output 17

Based on table 4.5, the results could be indicated as follows.

a) The First Hypothesis (H_1)

The first hypothesis of this research stated that firm size is positively associated with timeliness of financial reporting. Referring to table 4.5, the significance level of firm size is more than 0.05 (sig. 0.616 > 0.05) indicating that timeliness of financial reporting is not affected by firm size. Furthermore, the t_{value} is less than t_{table} (-0.504 < 1.667) and shows a negative direction between firm size and timeliness of financial reporting. Thus, H_1 is rejected.

a) The Second Hypothesis (H_2)

The second hypothesis of this research stated that profitability is positively associated with timeliness of financial reporting. Referring to table 4.5, the significance level of profitability is less than 0.05 (sig. 0.014 < 0.05) indicating that timeliness of financial reporting is affected by profitability. However, the t_{value} of -2.517 shows a negative direction between profitability and timeliness of financial reporting. Thus, H_2 is rejected.

b) The Third Hypothesis (H_3)

The third hypothesis of this research stated that leverage is positively associated with timeliness of financial reporting. Referring to table 4.5, the significance level of leverage is less than 0.05 (sig. 0.002 > 0.05) indicating that timeliness of financial reporting is affected by leverage. However, the t_{value} of -3.175 shows a negative direction between leverage and timeliness of financial reporting. Thus, H_3 is rejected.

c) The Fourth Hypothesis (H_4)

The fourth hypothesis of this research stated that audit committee size is positively associated with timeliness of financial reporting. Referring to table 4.5, the t_{value} of 1.398 shows a positive direction between audit committee size and timeliness of financial reporting. However, the significance level of audit committee size is more than 0.05 (sig. 0.166 > 0.05) indicating that timeliness of financial reporting is not affected by audit committee size. Thus, H_4 is rejected.

4.2 Discussion

a. The Influence of Firm Size on Timeliness of Financial Reporting

Firm size is variable used to measure how big a company is. This research used its total assets as the basis for measuring firm size with Log (Total Assets) as the formulation. From table 4.5, result shown that firm size is not the significant predictor ($t = -0.504$, sig = 0.616) to the timeliness of financial reporting although it has expected negative direction. Negative relationship implies that high portion of firm size may lead to untimely financial reporting. Thus, the first hypothesis (H_1) stating that “Firm size is positively associated with timeliness of financial reporting” is rejected.

The result of this research is consistent with Kamalluarifin’s research (2016) which found no significant relationship between the variables. This may due to both of large and small firms have difficulties in maintaining their timeliness of financial reporting. Large firms might face the pressure of announcing their reports so that they purposely do not announce it on time in order to avoid the speculative trading. In the meantime, small firms might face the difficulties in resources, internal control, and management.

b. The Influence of Profitability on Timeliness of Financial Reporting

Profitability is the business’s potential in making profit to obtain the sustainability of a company. So, profit is like blood in which the things that company cannot live without (Collins in profitmagazin.com). To measure that, this research relies on profitability ratio which is earnings after tax divided by total assets (return on assets ratio). From table 4.5, result shown that profitability is negatively associated ($t = -2.517$, sig = 0.014) with the timeliness of financial reporting. Negative relationship implies that high portion of profitability may lead to untimely financial reporting. Thus, the second hypothesis (H_2) stating that “Profitability is positively associated with timeliness of financial reporting” is rejected.

The result of this research is consistent with Owusu-Ansah’s research (2000) which found a negative and significant relationship between the variables. This may due to higher profitability firms tend to disclose more additional information to assist them against the competitors in the market and achieve some related agreements to the third parties.

c. The Influence of Leverage on Timeliness of Financial Reporting

Leverage is the amount of debt incurred to finance the company's assets in the interest of expecting high return where the company sacrifices itself by paying the debts along with fixed costs. In order to measure how far a company uses debts for funding its assets, this research relies on leverage ratio which is total debts divided by total assets (debts to total assets ratio). From table 4.5, result shown that profitability is negatively associated ($t = -3.175$, $\text{sig} = 0.002$) with the timeliness of financial reporting. Negative relationship implies that high portion of leverage may lead to untimely financial reporting. Thus, the third hypothesis (H_3) stating that "Leverage is positively associated with timeliness of financial reporting" is rejected.

The result of this research is consistent with Ismail & Chandler's research (2004) which found a negative and significant relationship between the variables. This may due to highly leveraged firms need to provide more additional even complete information to satisfy the third parties, especially creditors on the ability of the firm to pay off its debts.

d. The Influence of Audit Committee Size on Timeliness of Financial Reporting

Audit committee does play important role on financial reporting. It is because the duty of audit committee is monitoring the process of financial reporting, ensuring the effectiveness of internal controls, internal audit, and compliance risks, and enhancing the quality of financial reporting of a company. In order to measure how big the impact of audit committee in timeliness of financial reporting, this research relies on audit committee size which is using the total number of audit committee in the company.

From table 4.5, result shown that audit committee size is not the significant predictor ($t = 1.398$, $\text{sig} = 0.166$) to the timeliness of financial reporting although it has expected positive direction. Positive relationship implies that high portion of audit committee size may lead to timely financial reporting. Thus, the fourth hypothesis (H_4) stating that "Audit committee size is positively associated with timeliness of financial reporting" is rejected.

The result of this research is consistent with Emeh & Ebimobowei's research (2013) which found no significant relationship between the variables. This may due to the composition of audit committee is formed only to meet the statues and regulatory requirements. This could be seen in the Appendix 2 where the composition of audit committee of a company is mostly consists of 3 members.

e. The Influence of Firm Size, Profitability, Leverage, and Audit Committee Size on Timeliness of Financial Reporting

From Table 4.5, result shown that the sizes of firm and audit committee individually do not have significant relationship with timeliness of financial reporting. On the other hands, profitability and leverage are the significant explanatory variables for the timeliness of financial reporting.

Based on the explanation above, testing done on each variable individually shows there are variables that have significant and insignificant relationship with timeliness of financial reporting. However, when testing done simultaneously, the result shown that these four variables found to be significant with timeliness of financial reporting ($f = 5.137$, $\text{sig} = 0.001$). Thus, the fifth hypothesis (H_5) stating that "Firm size, profitability, leverage, and audit committee size are simultaneously associated with timeliness of

financial reporting” is accepted. This implies that those variables could enhance the timeliness of financial reporting of a company.

5. CONCLUSION

5.1 Conclusion

Based on the research results and discussion regarding the influence of firm size, profitability, leverage, and audit committee size on timeliness of financial reporting, the researcher concludes that:

1. Firm structure that is proxy by firm size is found not to be associated with timeliness of financial reporting. This is supported at the significance level of 0.616 and t_{value} of -0.504.
2. Firm performances that are proxies by profitability and leverage are both found to be negatively associated with timeliness of financial reporting. This is supported at the significance levels of 0.014 and 0.002, respectively, and t_{values} of -2.517 and -3.175, respectively.
3. Audit committee size is found not to be associated with timeliness of financial reporting. This is supported at the significance level of 0.166 and t_{value} of 1.398.
4. Firm size, profitability, leverage, and audit committee size are found to be simultaneously associated with timeliness of financial reporting. This is supported at the significance level of 0.001 and t_{value} of 5.137.

5.2 Suggestion

Referring to the conclusion, here are following suggestions that could be used for future research.

1. Since this research still could not give evidence that GCG presented by audit committee size is associated with timeliness of financial reporting, the researcher hopes that the future researchers could use another proxy from GCG such as numbers of Board of Directors, numbers of Board of Commissioners, auditor’s opinion and so on, under consideration, the significance level of Audit Committee Size is not that far away from 0.05, so that, there is a high likelihood of GCG influencing the timeliness of financial reporting.
2. Referring to the coefficient of determination, the value of R^2 is 22.7 %. This means that there are 77.3% is affected by other independent variables that are not included in this research. Therefore, the researcher hopes that the future researchers could use other independent variables that might be the explanatory variables for the timeliness of financial reporting such as firm age, company growth, and so on.

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